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Practical Illustrations of Assurance Life Insurance

by

John J. Habrich.

PRACTICAL ILLUSTRATIONS

OF

LIFE INSURANCE

BY

JOHN J. HABRICH

INDEPENDENT INSURANCE AGENT

ESTABLISHED 1859

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Prefatory to Diagrams and Tables.

IN comparing and contrasting the two methods of Life Insurance now prevailing, commonly called Assessment and Regular Insurance, we have striven to avoid personalities and only to illustrate the practical working of both methods.

In order to make this comparison, we have selected from the assessment societies one of the largest and apparently the most successful, which claims to have in force certificates for over $150,000,000—and therefore may be fairly taken as their banner representative.

On the other hand, we have drawn our examples from the workings of regular companies over forty years old, based on a scientific system which has stood for "generation after generation," assuring them continuous existence.

In the following diagrams and tabular comparisons we have striven to do full justice to the assessment plan, and if we have erred at all it has been in their favor. On the one hand we have assumed for them a lower cost of insurance than they can fairly expect to experience, and on the other we have predicted for the regular companies, dividends much less than they have paid and are now paying.

We have thus assumed that in the first year of assessment insurance the cost is only 50 per cent. of the rate according to the American Experience Table, the second year 60 per cent., the third year 70 per cent. and so on to the sixth year and after, when only the full rates of that low mortality table are assumed to prevail. But few of the regular life companies with their trained medical examiners have had such a favorable experience as this, and the most phenomenal of the assessment societies charge at least one-third more to provide *disaster-deferring* funds which are to be divided after fifteen years (a longer time than any such society has yet successfully existed, see page 17). As we pay no attention to the great additions to the present annual cost made for the sake of creating a dividend fund, we of course can fairly disregard all prospects of such problematical returns.

To the assumed mortuary cost for a $10,000 certificate, we have added only the admission fee of $40 and the annual dues of $30, exacted to cover the expenses, though in the banner society the expenses for 1887 were $134,000, or 32 per cent. in excess of the sum of the annual dues and admission fees for the year, despite solemn pledges that expenses should be limited to the amount collected for that purpose.

The difference in annual cost, at first much in favor of the assessment plan, rapidly decreases, and at the first black cross-line between the two columns the net total costs on the two systems have become practically equal.

At the second black cross-line, it will be observed that the annual payments have become nearly the same on both plans; and we call attention at that point to the fact, that the excess of total payments on the regular system is more than offset by the Cash Surrender Value then collectible by the insured.

Further down we have drawn a third black cross-line at the point where the total payments on the two plans will have become equal, and call special attention to the cash value then available on the regular policy, while there is no such feature connected with the assessment certificate.

Still lower down we contrast the total payments at the time when the regular policy becomes payable in full as an endowment, while the assessment certificate is still a source of expense. Taking age 25, as example, we see the astounding result, that when the cost of the certificate has become over $13,000, which is all *loss* unless the holder continues to pay the yearly increasing charges *until his death*, the other draws cash $10,000, the full amount insured, to be enjoyed the balance of life.

To the uninitiated or layman, the last amount charged as cost, to be paid during the last year (*i. e.*, $10,030), may seem strange; but it is the correct figure laid down in the American Experience Table (accepted by all insurance societies and by most state governments), plus $30 the annual expense dues: as *all* are supposed to die, the cost is 100 per cent.

Should a person still hold a certificate at the age of 95, his payments *during that year* must be $10,000 plus the $30 for annual dues; unless forsooth, the society would "*rob Peter to pay Paul*" and charge the younger members more than their just share.

The increase according to actual age is a matter of law, an imperative duty, and obligatory on the association to enforce in order to do even justice to all its members; for when a young person insured for $10,000 at age 25 is increased only 66 cents per annum at age 26 for having become one year older, a person aged 40 is increased $2.14 at 41; aged 50, $7.60 at 51; aged 60, $21.87 at 61; aged 70, $56.72 at 71; aged 80, $141.39 at 81; aged 90, $779.22 at 91, and aged 94 even as much as $1,428.57 on a $10,000 certificate. Of course all intermediate ages are increased in proportion, to illustrate which we here give the entire table:

AMERICAN EXPERIENCE TABLE.

NET PAYMENT REQUIRED DURING ANY YEAR, ACCORDING TO THE AGE THEN ATTAINED—TO INSURE $10,000—IN CASE OF DEATH IN THAT YEAR; COST INCREASING FROM YEAR TO YEAR.

This table is adopted by most of the State Insurance Departments of the United States, and by Assessment Societies generally:

AGE.	AMOUNT.	AGE.	AMOUNT.	AGE.	AMOUNT.	AGE.	AMOUNT.	AGE.	AMOUNT.
10	$74 90	28	$82 64	45	$111 63	62	$312 92	79	$1,317 34
11	75 16	29	83 44	46	115 62	63	339 43	80	1,444 66
12	75 42	30	84 26	47	120 00	64	368 73	81	1,586 05
13	75 69	31	85 10	48	125 09	65	40 29	82	1,742 97
14	75 96	32	86 07	49	131 06	66	437 07	83	1,915 61
15	76 33	33	87 17	50	137 81	67	476 47	84	2,113 59
16	76 60	34	88 30	51	145 41	68	520 02	85	2,355 52
17	76 88	35	89 46	52	153 89	69	567 62	86	2,656 81
18	77 26	36	90 88	53	163 33	70	619 93	87	3,030 20
19	77 65	37	92 43	54	173 96	71	676 65	88	3,466 92
20	78 04	38	94 08	55	185 71	72	737 33	89	3,958 63
21	78 55	39	95 86	56	198 85	73	801 78	90	4,445 46
22	79 06	40	97 94	57	213 35	74	870 28	91	5,324 68
23	79 58	41	100 08	58	229 36	75	943 71	92	6,342 59
24	80 11	42	102 52	59	247 20	76	1,023 11	93	7,341 77
25	80 64	43	105 17	60	266 93	77	1,110 64	94	8,571 43
26	81 30	44	108 29	61	288 80	78	1,208 27	95	10,000 00
27	81 96								

THE ABOVE AMOUNTS DO NOT INCLUDE ANY PROVISIONS FOR EXPENSES.

The distinguished actuary, Sheppard Homans, the author of the above table, in a treatise published May 10, 1888, says:

"The attempts by so many co-operative or assessment companies to furnish insurance by assessments based upon the age at entry, and which rates do not increase with age, must inevitably result in disappointment and disaster. Natural laws may not be violated with impunity."

The above official table will enable the reader to test for himself the correctness of our figures, as to the cost of assessment insurance in the following charts, to which we now invite attention.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 25.

AGE.	IN ASSESSMENT SOCIETIES.			IN REGULAR INSURANCE COMPANIES. Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	Year.
25	Due reduction made for the possibly lower mortality of the first five years. (See page 3.)	$110.32		$198.00			1
26		78.78		173.45		$37.60	2
27		87.37		172 21		126.00	3
28		96.11		170.92		217.40	4
29		105.10		169.60		312.00	5
30	Cost to date,	114.26		168.23	Cost to date,	409.80	6
31	$707.05	115.10	Net Cost Equal:	166.81	$1,219.22 less 511.00	..511.00	7
32	No Cash Value	116.07		165.34	$708 22	615.60	8
33		117.17		163.82		723.70	9
34		118.30		162.26		835.80	10
35		119 46		160.64		951.60	11
36		120.88		158.96		1,071.40	12
37		122.34		157.22		1,105.20	13
38		124.08		155.43		1,323.70	14
39		125.86		153.58		1,456.60	15
40		127.94		151.65		1,594 40	16
41		130.08		149.67		1,734.10	17
42		132.52		147.60		1,884.80	18
43		135.17		145.47		2,037.50	19
44	Cost to date,	138.29		143.26	Cost to date,	2,194.60	20
45	$2,476.84	141.63	Equal Yearly Payments:	140.98	$3,375.10 less 2,356.30	..2,356.30	21
46	No Cash Value.	145.62		138.63	$1,018.80	2,521.80	22
47		150.00		136.22	Net cost to date, if surrendered.	2,691,40	23
48		155.09		133.75		2.864.90	24
49		161.06		131.22		3,042.80	25
50		167.81		128.64		3,224.70	26
51		175.41		125.99		3,410.90	27
52		183.89		123.29		3,601,30	28
53		193.33		120.53		3,795.90	29
54		203.96		117.70		3,995.10	30
55		215.71		114.82		4,199.10	31
56		228.85		111.88		4,407.50	32
57	Cost to date,	243.35		108.87	Cost to date,	4,621 20	33
58	$4,960.28	259.36	Total Payments to date equal:	105.79	$4,972.43 less 4,840.30	..4,840.30	34
59	No Cash Value.	277.20		102.64	$132.13	5,065.20	35
60		296.93		99.42	Net cost to date, if surrendered.	5,296.10	36
61		318.80		96.12		5,533.40	37
62		342.92		92.73		5,778.10	38
63		369.43		89.25		6,030.30	39
64		398.73		85.67		6,291.80	40
65		431.29		81.98		6,503.70	41
66		467.07		78.15		6,847.80	42
67		506.47		74.18		7,146.00	43
68		550.02		70.03		7.461.60	44
69		597.62		65.68		7,798.10	45
70		649.93		61.06		8,159.70	46
71		706.65		56.13		8,552.30	47
72		767.33		50.82		8,983.20	48
73		831.78	Assessment cost to date, $13,372.73 No Cash Value.	45.03		9,461.80	49
74		900.28		38.65		$10,000.00	50
75		973.71					
76		1,053.11					
77		1,140.64					
78		1,238.27					
79		1,347.34					
80		1,474.66					
81		1,616.05					
82		1,772.97					
83		1,945.61					
84		2,143.59					
85		2,385.52					
86		2,686.81					
87		3,060.20					
88		3,496.92					
89		3,988.63					
90		4,575.46					
91		5,354.68					
92		6,372.59					
93		7,371.77					
94		8,601.43					
95		10,030.00					
	Total, - -	$86,002.68		Total Paid,	$6,159.97		
				Less Dividend at Maturity,	166.48		
				Net Cost, -	$5,993.49		

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. *(These policies, without being surrendered, are readily accepted as collateral security for loans.)*

Endowment received, $10,000.00

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

AGE 25.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 30.

AGE.	IN ASSESSMENT SOCIETIES.		IN REGULAR INSURANCE COMPANIES.			Year.
			Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	
30	Due reduction made for the possibly lower mortality of the first five years. (See page 3.) $112.13		$227.00		———	1
31	81.06		199.30		$71.40	2
32	90.25		197.76		180.80	3
33	99.74		196.18		294.00	4
34	109.47		194.54		411.20	5
35	Cost to date, 119.46		192.84	Cost to date,	532.30	6
36	$732.99 120.88	Net Cost Equal:	191.09	$1,398.71	657.50	7
37	No Cash Value 122.34		189.27	less 657.50	787.30	8
38	124.08		187.40	$741.21	921.70	9
39	125.86		185.45	Net Cost, if surrendered.	1,060.70	10
40	127.94		183.44		1,205.00	11
41	130.08		181.36		1,353.30	12
42	132.52		179.21		1,509.00	13
43	135.17		176.97		1,668.70	14
44	138.29		174.66		1,833.10	15
45	141.63		172.27		2,002.20	16
46	145.62		169.81		2,175.40	17
47	150.00		167.29		2,352.80	18
48	Cost to date, 155.09		164.71	Cost to date,	2,534.40	19
49	$2,522.67 161.06	Equal Yearly Payments:	162.06	$3,692.61	2,720.50	20
50	No Cash Value 167.81		159.36	less 2,720.50	2,910.90	21
51	175.41		156.59	$972.11	3,105.70	22
52	183.89		153.76	Net Cost to date, if surrendered.	3,304.90	23
53	193.33		150.87		3,508.50	24
54	203.96		147.92		3,716.90	25
55	215.71		144.90		3,930.20	26
56	228.85		141.82		4,148.30	27
57	243.35		138.67		4,371.90	28
58	259.36		135.46		4,601.30	29
59	277.20		132.16		4,836.50	30
60	296.93		128.79		5,078.10	31
61	Cost to date, 318.80		125.34	Cost to date,	5,326.50	32
62	$5,630.19 342.92	Total Payments to date equal:	121.79	$5,530.04	5,582.40	33
63	No Cash Value 369.43		118.15	less 5,582.40	5,846.50	34
64	398.73		114.40	$52.36	6,120.00	35
65	431.29		110.54	Surplus.	6,404.60	36
66	467.07		106.54		6,701.90	37
67	506.47		102.38		7,013.90	38
68	550.02		98.04		7,344.10	39
69	597.62		93.48		7,696.10	40
70	649.93		88.65		8,074.40	41
71	706.65		83.49		8,485.30	42
72	767.33		77.94		8,936.20	43
73	831.78	Assessment cost to date,	71.88		9,436.80	44
74	900.28.	$12,806.79	65.20		Endowment received, $10,000.00	45
75	973.77	No Cash Value.				
76	1,053.11					
77	1,140.64					
78	1,238.27					
79	1,347.34					
80	1,474.66					
81	1,616.05					
82	1,772.97					
83	1,945.61					
84	2,143.59					
85	2,385.52					
86	2,686.81					
87	3,060.20					
88	3,496.92					
89	3,988.63					
90	4,575.46					
91	5,354.68					
92	6,372.59					
93	7,371.77					
94	8,601.43					
95	10,030.00					

Total, - - $85,436.75

Total Paid, $6,660.73

Less Dividend at Maturity, 169.25

Net Cost, - $6,491.48

Endowment at will by special contract, endorsed on the policy, collectible at any time the insured may choose.

(These policies, without being surrendered, are readily accepted as collateral security for loans.)

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 30.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 35.

AGE.	IN ASSESSMENT SOCIETIES.		IN REGULAR INSURANCE COMPANIES. Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	Year.
35	Due reduction made for the possibly lower mortality of the first five years. (See page 3.)	$114.73	$265.00		—	1
36		84.53	233.25		$116.70	2
37		94 64	231.33		253.90	3
38		105.26	229 34		396.00	4
39		116.27	227.29		543.00	5
40	Cost to date,	127.94	225 16	Cost to date,	695.50	6
41	$773.45	130.08	Net Cost Equal: 222.96	$1,634.33	853.60	7
42	No Cash Value	132.52	220.68	less 853.60	1,017.20	8
43		135.17	218 32	$780.73	1,186.10	9
44		138.29	215.87		1,360.20	10
45		141.63	213.34		1,539.00	11
46		145.62	210.74		1,722.10	12
47		150.00	208.07		1,909.90	13
48		155.09	205.34		2,102.10	14
49		161.06	202.54		2,298.90	15
50		167.81	199.68		2,500.30	16
51		175.41	196.75		2,705.70	17
52	Cost to date,	183.89	193.76	Cost to date,	2,917.60	18
53	$2,653.27	193.33	Equal Yearly Payments: 190.71	$4,110.13	3,132.60	19
54	No Cash Value	203.96	187.57	less $3,132.60	3,353.00	20
55		215.71	184.39	$977.53	3,578.60	21
56		228.85	181.13	Net cost to date, if surrendered.	3,809.40	22
57		243.35	177.80		4,046.00	23
58		259.36	174.40		4,288.00	24
59		277.20	170.91		4,537.50	25
60		296.93	167.34		4,793.00	26
61		318 80	163.69		5,055.90	27
62		342 92	159.94		5,326.60	28
63		369.43	156.08		5,605.80	29
64	Cost to date,	398.73	152.12	Cost to date,	5,895 30	30
65	$6,239.80	431.29	Total Payments to date equal: 148.03	$6,133.53	6,196.30	31
66	No Cash Value	467.07	143.80	less 6,196.30	6,510.90	32
67		506.47	139.41	$62.77	6,841.00	33
68		550.02	134.81	Surplus.	7,190.20	34
69		597.62	129.99		7,562.60	35
70		649.93	124.88		7,962.90	36
71		706.65	119.43		8,397.50	37
72		767.33	113.55		8,874.50	38
73		831.78	Assessment Cost to date, 107.14		9,404.20	39
74		900.28	$12,216.95 100.08		$10,000.00	40
75		973.71	No Cash Value.	Total Paid, $7,246.62	Endowment received,	
76		1,053.11		Less Dividend at Maturity, 172.81		
77		1,140.64				
78		1,238.27				
79		1,347.34				
80		1,474.66				
81		1,616.05				
82		1,772.97				
83		1,945.61				
84		2,143.59				
85		2,385.52				
86		2,686.81				
87		3,060.20				
88		3,496.92				
89		3,988.63				
90		4,575.46				
91		5,354.68				
92		6,372.59				
93		7,371.77				
94		8,601.43				
95		10,030.00				
	Total, - -	$84,846.91		Net Cost, -	$7,073.81	

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. *(These policies, without being surrendered, are readily accepted as collateral security for loans.)*

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30 00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 35.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 40.

AGE.	IN ASSESSMENT SOCIETIES.		IN REGULAR INSURANCE COMPANIES. Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	Year.
40	$118.97		$315.00			1
41	90.05		277.20		$168.75	2
42	101.76		274.88		340.60	3
43	114.14		272.46		517.84	4
44	127.46		269.96		700.29	5
45	141.63		267.38		887.68	6
46	145.62		264.71		1,079.64	7
47	150.00		261.96		1,276.15	8
48	155.09		259.14		1,477.11	9
49	161.06		256.25		1,682.69	10
50	167.81		253.29		1,892.94	11
51	175.41		250.26		2,107.68	12
52	183.89		247.17		2,327.04	13
53	193.33		244.01		2,551.44	14
54	203.96		240.78		2,779.78	15
55	215.71		237.48		3,013.45	16
56	228.85		234.10		3,252.08	17
57	243.35		230.66		3,496.47	18
58	259.36		227.14		3,745.89	19
59	277.20		223.55		4,001.46	20
60	296.93		219.86		4,263.13	21
61	318.80		216.08		4,531.24	22
62	342.92		212.22		4,806.38	23
63	369.43		208.25		5,089.30	24
64	398.73		204.18		5,381.06	25
65	431.29		199.99		5,682.86	26
66	467.07		195.68		5,996.56	27
67	506.47		191.20		6,323.95	28
68	550.02		186.56		6,668.18	29
69	597.62		181.70		7,032.59	30
70	649.93		176.61		7,421.63	31
71	706.65		171.20		7,840.96	32
72	767.33		165.44		8,297.76	33
73	831.78		159.22		8,801.31	34
74	900.28		152.45		9,363.53	35
75	973.71		144.98		Endowment received, $10,000.00	36
76	1,053.11					
77	1,140.64					
78	1,238.27					
79	1,347.34					
80	1,474.66					
81	1,616.05					
82	1,772.97					
83	1,945.61					
84	2,143.59					
85	2,385.52					
86	2,686.81					
87	3,060.20					
88	3,496.92					
89	3,988.63					
90	4,575.46					
91	5,354.68					
92	6,372.59					
93	7,371.77					
94	8,601.43					
95	10,030.00					

Due reduction made for the possibly lower mortality of the first five years. (See page 3.)

Cost to date $989.63 — No Cash Value

Net Cost Equal:

Cost to date, $2,203.55 less 1,276.15 — $927.40 Net cost, if surrendered.

Cost to date, $2,674.74 — No Cash Value

Equal Yearly Payments:

Cost to date, $4,426.03 less 3,252.08 — $1,173.95 Net cost to date, if surrendered.

Cost to date, $6,586.29 — No Cash Value

Total Payments to date equal:

Cost to date, $6,754.84 less 6,323.95 — $430.89 Net cost to date, if surrendered.

Assessment cost to date. $12,563.16 No Cash Value.

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. *(These policies, without being surrendered, are readily accepted as collateral security for loans.)*

Total Paid, - $8,093.00

Less Dividend at Maturity, 178.35

Total, - $84,219.86

Net Cost, - $7,914.65

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 40.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 45.

AGE.	IN ASSESSMENT SOCIETIES.			IN REGULAR INSURANCE COMPANIES. Life Rate Endowment Premiums less Dividends		Cash Surrender Values at end of any Year.	Year.
45		$125.82		$380.00			1
46	Due reduction made for the possibly lower mortality of the first five years. (See page 3.)	99.37		334.45		$216.90	2
47		114.00		331.50		422.20	3
48		130.07		328.50		632.50	4
49		147.95		325.42		845.90	5
50		167.81		322.29		1,064.30	6
51	Cost to date,	175.41		319.11	Cost to date,	1,286.90	7
52	$1,144.32	183.89	Net Cost Equal:	315.84	$2,657.11	1,514.10	8
53	No Cash Value.	193.33		312.54	less 1,514.10	1,745.10	9
54		203.96		309.15	$1,143.01	1,980.40	10
55		215.71		305.72	Net cost, if surrendered.	2,220,30	11
56		228.85		302.22		2,464.40	12
57		243.35		298.67		2,713.40	13
58		259.36		295.06		2,966.40	14
59	Cost to date,	277.20		291.38	Cost to date,	3,224.50	15
60	$3,063.01	296.93	Equal Yearly Payments:	287.64	$5,059.49	3,487.20	16
61	No Cash Value.	318.80		283.85	less 3,487.20	3,754.80	17
62		342.92		279.98	$1,572.29	4,027.50	18
63		369.43		276.05	Net cost to date, if surrendered.	4,305.90	19
64		398.73		272.05		4,590.40	20
65		431.29		267.99		4,881.90	21
66		467.07		263.83		5,181.60	22
67		506.47		259.57		5,490.90	23
68		550.02		255.21		5,811.60	24
69	Cost to date,	597.62		250.71	Cost to date,	6,146.50	25
70	$7,695.29	649.93	Total Payments to date equal:	246.06	$7,714.79	6,498.80	26
71	No Cash Value.	706.65		241.19	less 6,498.80	6,872.40	27
72		767.33		236.08	$1,215.99	7,272.60	28
73		831.78		230.64	Net cost to date, if surrendered.	7,706.60	29
74		900.28		224.82		8,182.70	30
75		973.71		218.48		8,712.60	31
76		1,053.11	Assessment cost to date,	211.49		9,311.70	32
77		1,140.64	$14,068.79	203.73		Endowment Received, $10,000.00	33
78		1,238.27	No Cash Value.				
79		1,347.34					
80		1,474.66					
81		1,616.05					
82		1,772.97					
83		1,945.61					
84		2,143.59					
85		2,385.52					
86		2,686.81					
87		3,060.20					
88		3,496.92					
89		3,988.63					
90		4,575.46					
91		5,354.68					
92		6,372.59					
93		7,371.77					
94		8,601.43					
95		10,030.00					
		Total, - $83,531.29		Total Paid, $9,281.22			
				Less Dividend at Maturity, 185.22			
				Net Cost, $9,906.00			

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. *(These policies, without being surrendered, are readily accepted as collateral security for loans.)*

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 45.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 50.

AGE.	IN ASSESSMENT SOCIETIES.			IN REGULAR INSURANCE COMPANIES.			Cash Surrender Values at end of any Year.	Year.
				Life Rate Endowment Premiums less Dividends,				
50	Due reduction made for the possibly lower mortality of the first five years. (See page 3.)	$138.91		$470.00				1
51		117.25		413.60			$276.50	2
52		137.73		409.97			523.20	3
53		160.66		406.28			774.10	4
54		186.56		402.53			1,029.60	5
55		215.71		398.74			1,289.10	6
56	Cost to date,	228.85		394.89	Cost to Date,		1,553.10	7
57	$1,429.02	243.35	Net Cost Equal:	390.97	$3,286.98		1,821.80	8
58	No Cash Value.	259.36		387.01	less 1,821.80		2,094.50	9
59		277.20		382.99	$1,465.18		2,372.10	10
60		296.93		378.93	Net cost,		2,653.80	11
61		318.80		374.81	if surrendered.		2,940.20	12
62	Cost to date,	342.92		370.65	Cost to date,		3,231.10	13
63	$3,293.66	369.43	Equal Yearly Payments:	366.43	$5,547.80		3,526.90	14
64	No Cash Value.	398.73		392.17	less 3,526.90		3,828.20	15
65		431.29		357.86	$2,020.90		4,135.20	16
66		467.07		353.49	Net cost to date,		4,449.50	17
67		506 47		349.05	if surrendered.		4,771.70	18
68		550.02		344.54			5,103.90	19
69		597.62		339.91			5,448.40	20
70		649.93		335.17			5,807.80	21
71	Cost to date,	706.65		330.27	Cost to date,		6,185.90	22
72	$8,368.77	767.33	Total Payments to date equal:	325.14	$8,645.40		6,587.40	23
73	No Cash Value.	831.78		319.76	less 6,587.40		7,018.30	24
74		900.28		314.03	$2,058.00		7,486.70	25
75		973.71		307.85	Net cost to date,		8,002.90	26
76		1,053.11		301.10	if surrendered.		8,580.60	27
77		1,140.64	Assessment	293.60			9,238.10	28
78		1,238.27	cost to date, $14,506.56	285.08			$10,000.00	29
79		1,347.34	No Cash Value					
80		1,474.66						
81		1,616.05						
82		1,772.97						
83		1,945.61						
84		2,143.59						
85		2,385.52						
86		2,686.81						
87		3,060.20						
88		3,496.92						
89		3,988.63						
90		4,575.46						
91		5,354.68						
92		6,372.59						
93		7,371.77						
94		8,601.43						
95		10,030.00						
		Total, - $82,730.79		Total Paid, $10,466.82				
				Less Dividend at Maturity, 194.76				
				Net Cost, $10,272.06				

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose.

(These policies, without being surrendered, are readily accepted as collateral security for loans.)

Endowment received, $10,000.00

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payble at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 50.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 55.

AGE.	IN ASSESSMENT SOCIETIES.			IN REGULAR INSURANCE COMPANIES.			Year.
				Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	
55	Due reduction made for the possibly lower mortality of the first five years. (See page 3.)	$162.86		$594.00			1
56		149.31		523.30			
57		179.35		519.05		$350.40	2
58		213.49		514.68		647.50	3
59		252.48		510.28		948.70	4
60		296.93		505.82		1,254.40	5
61	Cost to date,	318.80		501.31	Cost to date,	1,564.30	6
62	$1,916.14	342.92	Net Cost Equal:	496.74	$4,165.18	1,878.40	7
63	No Cash Value	369.43		492.12	less 2,196.50	2,196.50	8
64		398.73		487.44	$1,968.68	2,518.90	9
65		431.29		482.72	Net cost, if surrendered.	2,846.10	10
66	Cost to date, $3,582.66	467.07	Equal Yearly Payments:	477.93	Cost to date, $6,105.39	3,178.10	11
67	No Cash Value	506.47		473.08	less 3,516.50	3,516.50	12
68		550.02		468.15	$2,588.89	3,861.40	13
69		597.62		463.15	Net cost to date, if surrendered.	4,214.80	14
70		649.93		458.00		4,578.80	15
71		706.65		452.73		4,955.60	16
72		767.33		447.28		5,348.70	17
73		831.78		441.60		5,762.20	18
74	Cost to date,	900.28		435.62	Cost to date,	6,201.90	19
75	$10,066.45	973.71	Total Payments to date equal:	429.29	$10,174.29	6,674.60	20
76	No Cash Value.	1,053.11		422.44	less 7,189.80	7,189.80	21
77		1,140.64	Assessment cost to date,	414.96	$2,984.49	7,760.30	22
78		1,238.27		406.62	Net cost to date, if surrendered.	8,402.40	23
79		1,347.34	$14,845.81	397.18		9,138.80	24
80		1,474.66	No Cash Value.	Total Paid, $11,815.49		Endowment received, $10,000.00	25
81		1,616.05					
82		1,772.97		Less Dividend at Maturity, 207.74			
83		1,945.61					
84		2,143.59					
85		2,385.52					
86		2,686.81					
87		3,060.20					
88		3,496.92					
89		3,988.63					
90		4,575.46					
91		5,354.68					
92		6,372.59					
93		7,371.77					
94		8,601.43					
95		10,030.00					
		Total, - $81,722.70		NetCost, $11,607.75			

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. *(These policies, without being surrendered, are readily accepted as collateral security for loans.)*

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year, and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 55.

COMPARISON OF PROBABLE COST FOR $10,000.00 INSURANCE AT AGE, 60.

AGE.	IN ASSESSMENT SOCIETIES.		IN REGULAR INSURANCE COMPANIES. Life Rate Endowment Premiums less Dividends.		Cash Surrender Values at end of any Year.	Year.
60	$203.47		$764.00			1
61	203.28		674.60		$447.30	2
62	249.04		669.42		805.50	3
63	301.54		664.20		1,167.70	4
64	361.86		658.93		1,533.80	5
65	431.29		653.61		1,904.40	6
66	467.07		648.24		2,279.70	7
67	506.47	Net Cost Equal:	642.83	$5,375.83	2,660.70	8
68	550.02		637.35	less 2,660.70	3,048.60	9
69	597.62		631.81	$2,715.13	3,445.60	10
70	649.93	Equal Yearly Payments:	626.18	$7,271.17	3,853.60	11
71	706.65		620.43	less 3,853.60	4,275.50	12
72	767.33		614.53	$3,417.57	4,715.40	13
73	831.78		608.44		5,178.30	14
74	900.28		602.09		5,670.60	15
75	973.71		595.42		6,200.90	16
76	1,053.11		588.32		6,781.10	17
77	1,140.64		580.65		7,426.80	18
78	1,238.27	Total Payments to date equal:	572.23	$12,253.28	8,156.90	19
79	1,347.34		562.88	less 8,156.90	9,001.80	20
80	1,474.66	Assessment cost to date, $14,955.36	552.10	$4,096.38		
81	1,616.05	No Cash Value.				21
82	1,772.97					
83	1,945.61					
84	2,143.59					
85	2,385.52					
86	2,686.81					
87	3,060.20					
88	3,496.92					
89	3,988.63					
90	4,575.46					
91	5,354.68					
92	6,372.59					
93	7,371.77					
94	8,601 40					
95	10,000.00					

Due reduction made for the possibly lower mortality of the first five years. (See page 3.)

Cost to date, $2,724.02 — No Cash Value.

Cost to date, $4,521.59 — No Cash Value.

Cost to date, $12,133.36 — No Cash Value.

Total, - $80,357.59

Net cost to date, if surrendered.

Net cost to date, if surrendered.

Endowment at will, by special contract endorsed on the policy, collectible at any time the insured may choose. (These policies, without being surrendered, are readily accepted as collateral security for loans.)

Endowment received, $10,000.00

Total Paid, $13,168.26

Less Dividend at Maturity, 224.43

NetCost, $12,943.83

The assessment payments are supposed to be distributed over each year; and are calculated upon the American Experience Table with additions of $30.00 for annual dues each year; and of $40.00 for entrance fee the first year. (See page 3.)

The regular insurance premiums are those that would be payable at the beginning of each year after deducting the annual dividend; they can be made payable semi-annually or quarterly, however, by adding simple interest for the time payments are so extended.

In several regular companies the dividends for five years past on Life Rate Endowment policies have averaged from one-fourth to one-third larger than we have assumed above, consequently the actual cost will probably be much less than estimated.

In fact, as stated on page 3, the deviations of actual results from our figures will very certainly be in favor of the regular companies and against the assessment societies.

AGE 60.

Remarks on the Foregoing Tables.

A FEW minutes' careful perusal of the foregoing tables must convince the most skeptical of the utter absurdity and fallaciousness of the idea, that assessment insurance can be a permanent success.

The result of placing the two methods in juxtaposition, as done by us, will surprise most of the insurance profession even; and it is strange that such an exposé was not made long ago.

These tables make clear to all the deceptiveness of the vaunted cheapness of the assessment method. The first black cross-line of "equal net cost," as found after deducting the cash value of the contracts from the payments made, is reached at latest in these tables in eight years—despite our favorable treatment of the assessment plan—and ever after that for the rest of life the comparison of net costs is more and more in favor of the regular system.

Beginning with the table for age 25, at which age a person has an expectation of living 39 more years according to the experience of life insurance companies, we ask, will a person at that age, in opposition to the experience of generations, select a plan which is cheaper for only *seven* years, and thus wager five or six to one against his own vitality, which should be good for forty years?

Will a person, however economically inclined, see any actual saving in retaining a few dollars for only seven years, when the chances are five or six to one that they will cost him so dear as to cause him life-long regret? This fact is sufficient to explode once for all the pretended economy of the assessment scheme, even if the plans were honestly carried out, at the lowest expense for temporary insurance. How will it prove then in actual practice, when in one year, in the banner association, $134,000.00 was diverted from the mortuary or reserve fund and used for expenses? In fact, the assessment plan has no *raison d'être*, either financially or morally. Well may these managers promise any amount of doubtful benefits to be enjoyed (?!!) by the certificate holder AFTER FIFTEEN YEARS, when the turning point is sure to occur in half that time.

Let us now proceed to the second cross-line and see how matters stand at that point between regular insurance—good for present and future—and temporary assessment schemes. This line marks the time when each plan costs an *equal amount annually, provided always,* that the assessment plan has been honestly managed *at the low rate* that we have assumed for it. As a matter of fact, however, the turning point does come much earlier, for, while the charges actually made by the acknowledged leader of the assessment associations are actually higher than given in the tables, the assumed payments to the regular old line companies are higher than should be the case in view of the dividends actually paid for years past.

On this second line we find equal yearly payments, which means that the assessment charges have by degrees *come up* to a certain amount;

at the same time the regular insurance charges have, by virtue of increased dividends, *come down* to a similar amount. Supposing that both persons began at age 40, they now have been insured for only 17 years, which time is only 60 per cent. of their natural expectation of life from age 40, with this relative difference, that the assessment certificate-holder, with his up-hill contract, has, financially speaking, a frightful future before him, with nothing to draw against—and no cash surrender value to use as collateral security in case of need. Meanwhile the genuine life insurance policy-holder can smile complacently, as his premiums for the balance of his term are being constantly decreased, until, having arrived at a respectable age, the total amount is paid to him; and what is of equal importance and comfort to him, he has a considerable amount already available in case of emergency, say $3,500.00, which amount is constantly increasing as he pays additional premiums.

In some very rare cases it happens that a person has no longer any need for insurance; the certificate holder in that case, at this second line, of equal yearly payments, has paid heavily and can get no return. The policy-holder on the contrary, can collect a respectable sum as his surrender value, which if deducted from his payments to that date, will show a very small net cost.

Going to the next and third stage of our illustration where the *total payments to date are equal*, we find the situation such that the certificate-holder will deplore his short-sightedness, or the deception practiced on him, he having already paid nearly the entire amount of his insurance, the annual cost of which being very large, deprives him and his family of many of the enjoyments of life, with still a most fearful increase of the annual cost before him; while the policy holder has only to persevere a few years longer in paying his still constantly decreasing premiums, when he will receive the full amount of his policy to enjoy with his family the balance of life.

These few years, however, he does not need to wait, should he be satisfied with an amount smaller than the face of his policy, an option which is often exceedingly opportune, as he can then collect the major portion of his insurance.

We trust that the reader has carefully examined our illustrative tables, which must be clear to every mind of average capacity: having done so, we fear not but that he will select the right system, if he is about insuring; or *change immediately*, if he has made the mistake, that we and others did years ago—in that case we will only add, CHANGE AT ONCE.

The Instability of Assessment Societies.

THE first question which will occur to any man insuring his life is, whether the institution into which he pays annually his hard-earned savings is of an absolutely permanent character, that he may be sure it will be in existence and able to pay when his policy or certificate becomes a claim.

By insuring in regular companies a man may be perfectly easy on this point, as they are compelled by law to hold solid assets, called legal reserves, sufficient to make good their contract with each policy-holder, independently of future contingencies.

In assessment insurance this element of absolute security does not exist,—not even approximately. In order to prove this we publish the figures from a book, entitled "Assessment Insurance," published presumably in the interest of assessment societies from the office of The Spectator Company, No. 16 Dey Street, New York, and giving the standing of 450 associations in existence January 1, 1888, or at least as much of their condition as the societies deemed best to make public. Therefore, taking our figures from the book published if not *by* them at any rate *for* them, we cannot be charged with unfairness or insincerity. We select those of their banner society or representative association, at pages 224 and 225. These are its own record of its business, written during the several years, and the actual net result or actual increase from year to year; so as to enable the reader to draw his own conclusions, whether the institution is in a progressive or in a declining condition.

The steady increase in the *percentage of lapses* during the last three years as shown in this table, seems to prove that the crisis is near at hand—the time when the lapses having become over 100 per cent. of the issues, the aggregate business will diminish and then melt away with constantly increasing rapidity.

LOSSES and LAPSES of an ASSESSMENT ASSOCIATION, from its own statements for the years 1881 to 1888.

YEAR.	Insurance in force beginning of Year.	New Insurance Written.	Should be in force, end of Year.	Actual in force, end of Year.	Losses and Lapses.	
					Amount.	Per Cent. on new Insurance.
1881	———	Not stated.	Not stated.	$7,633,000	———	——
1882	$7,633,000	" "	" "	35,190,750	———	——
1883	35,190,750	$31,482,250	$66,673,000	63,328,500	$3,344,500	10.62
1884	63,328,500	38,975,750	102,124,250	85,452,000	16,672,250	42.97
1885	85,452,000	51,001,500	136,453,500	123,353,500	13,100,000	25.68
1886	123,353,500	57,050,500	180,404,000	150,175,250	30,228,750	52.98
1887	150,175,250	35,323,100	185,498,350	156,554,100	28,944,250	80.19
1888	156,554,100	———	———	———	———	——

The forlorn-hope move now made by them to *fresh fields and pastures new*,—England, France, etc., will avail nothing. In the old country where money is valued much more than here, people do not make life contracts in the haphazard way we do here. They are most

likely to find out the impracticability of the system, *before* they *invest money* in it, and we doubt very much whether the Association will get even a foot-hold there, advised as the people will be from this side in time to avoid expensive experiments. Nor will they so readily sign contracts by which they are bound to pay anything that the officers may deem fit to charge. They generally read every line most carefully before signing, never mind how small the print,—and if the application and certificate refer to each other and also to Constitution and By-Laws, as the foundation of the contract, they will insist upon seeing what these By-Laws are, *study* them *carefully* and find out *what they bind themselves to, before they accept or pay for a certificate.*

If Europe does not respond promptly and help the false "system" to exist here for a little while longer, it is very plain that the *lapses* must soon *exceed* the *issues*. We predict in advance, from circulars which come under our notice, that a great effort will be made to show a large increase in new members the last two months of 1888. We will not comment on the manner such "increases" are often obtained. Admission fees and annual dues may be forborne for the sake of getting new members, and new certificates may be issued broadcast to *John Doe, Richard Roe,* etc., inasmuch as the first assessment for the new members of December cannot be made until after January 1, 1889, and after the officers have made affidavit to the different Insurance Departments that they have issued so many certificates in the year; but we are curious to know how many of them will pay assessments during next year. We let the Superintendent of the Insurance Department of the State of Maryland speak. The Hon. Jesse K. Hines, in his report for 1888, says:

> "The business of life-insurance companies should, of all others, be invariably conducted in a manner to merit and command the confidence of those who deal with them; and a practice such as the one referred to, *of swelling the apparent volume of business by policies which either never become completed contracts* or are *issued for inadequate consideration*—a practice which is so easily abused, and has been and is resorted to sometimes for the purpose of concealing the actual condition of a company's affairs—cannot be viewed otherwise than with suspicion."

Again, as "necessity is the mother of invention," the number of lapses can be withheld from the Insurance Superintendents and the public, by giving members *additional* grace—instead of one month—six and twelve months; what unheard of generosity! *Unsolicited generosity!*

Take this element of concealment and add to it the possible element of fictitious issue referred to in the report of the Superintendent of the State of Maryland (as above), and you may come nearer the "true inwardness" of a concern, which, when divested of its artificial surroundings is a mere shell, and as now carried on, a gross injustice to its members.

[*From* THE SPECTATOR, *November* 15 (*Revised*).]

An Analysis of the Co-Operative Life Associations in the New York State Insurance Report, Issued 1888.

UNTIL about five years ago the co-operative life associations fortified themselves with the idea that there were scores of similar societies in England from 100 to 200 years old, whose supposed long continuance they argued as proof of the stability of their system.

This claim, however, had to be abandoned when $100.00 was offered by the writer for proof of the existence of one single such assessment society for 100 years, either in England *or anywhere in the world*. That offer was supplemented by another of a reduced amount for any case of a co-operative business insurance association in a flourishing condition, and over fifteen years old, but no instance was offered by any one.

Curiosity recently led the writer to examine the reports of the various assessment societies doing business in this State, in order to see how the older ones are faring at this date. The result of this investigation is given below:

Omitting sick-benefit and purely accident insurance societies, there are 150 life insurance associations reporting to the New York Insurance Department, and these may be divided into two classes, viz.: Societies on a business basis and those of a fraternal character.

The societies considered to be on a fraternal basis are those which either pay no commission at all, or else only very small bonuses, not large enough to induce any one to make a business of soliciting persons to join them.

FRATERNAL SOCIETIES.

There are seventy-nine "fraternal" societies, forty-two of which are under ten years of age; twenty-two from ten to fourteen years old; and fifteen are fifteen years old or more.

FROM TEN TO FOURTEEN YEARS OLD.

These from ten to fourteen years old fared during 1887 as follows:

Albany Boatmen's Relief, organized 1874, membership DECREASED from 1,083 to 946.
American Legion of Honor, 1878, *increased* from 60,145 to 62,111.
Benai Berith (Jewish), 1878, no particulars of membership.
Brooklyn Mutual Aid, 1875, DECREASED from 183 to 158.
Catholic Knights of America, 1877, *increased* from 16,015 to 16,645.
The Covenant Mutual Benefit, 1877, *increased* from 24,844 to 27,282
Dry Goods Mutual Benefit, 1876, *increased* from 612 to 643.
Foresters Endowment Fund, 1874, *increased* from 2,412 to 2,430.
Free Sons of Israel, 1874, no particulars of membership.
German Masonic, 1878, DECREASED from 245 to 243.
Gold and Stock Life, 1878, *increased* from 176 to 418.
Jewelers' League, 1877, DECREASED from 2,939 to 2,817.
Knights of Honor, 1874, DECREASED from 126,169 to 122,912.
Knights of Pythias, 1877, *increased* from 16,278 to 17,083.
Knights Templar and Masonic Mutual Benefit, 1878, *increased* from 5,026 to 5,287.
Masonic Life Association, 1875, *increased* from 348 to 379.
Mutual Benefit of Suffolk County, 1876, *increased* from 1,125 to 1,353.
Northwestern Masonic Aid, 1874, *increased* from 37,020 to 41,243.
Odd Fellows Provident, 1875, DECREASED from 732 to 703.
Royal Arcanum, 1877, *increased* from 70,823 to 79,171.
Royal Templars, 1877, DECREASED from 15,493 to 14,665.
United Workmen, 1874, *increased* from 23,465 to 27,033.

OVER FIFTEEN YEARS OLD.

Those in existence fifteen years or more are:

Albany Mutual Benefit, 1873, DECREASED from 660 to 631.
Bank Clerks' Mutual Benefit, 1869, *increased* from 1,171 to 1,251.
Bookbinders' Provident, 1868, DECREASED from 778 to 643.
Brooklyn Masonic Mutual Benefit, 1867, *increased* from 954 to 1,379.
Commercial Travelers, 1872, DECREASED from 3,064 to 2,981.
Expressmen's Mutual Benefit, 1869, DECREASED from 3,267 to 3,113.
Insurance Clerks' Mutual Benefit, 1872, DECREASED from 605 to 575.
Masonic Life of Western New York, 1872, *increased* from 2,315 to 2,618.
Masonic and Ministerial, 1872, DECREASED from 278 to 210.
Odd Fellows Mutual Aid, 1869, *increased* from 303 to 488.
Odd Fellows Mutual Benefit, 1867, DECREASED from 733 to 625.
Polar Star Mutual Benefit, 1871, DECREASED from 414 to 382.
Teachers' Mutual Life, 1869, DECREASED from 2,093 to 2,083.
Telegraphers' Mutual Benefit, 1867, *increased* from 3,590 to 3,679.
Western New York Masonic, 1871, DECREASED from 738 to 673.

This is not a very hopeful exhibit for the older societies of this class.

BUSINESS ORGANIZATIONS.

The societies considered as *on a business basis* are those which employ agents to canvass and bring in members, which fact can be judged of by the ratio of the commissions to the new insurance.

Of these societies there are seventy-one—sixty-four of which are under ten years of age. There are three societies from ten to fourteen years old, whose names and conditions are briefly stated below.

TEN TO FOURTEEN YEARS OLD.

Farmers' Mutual Benefit, 1877, membership DECREASED in 1887 from 648 to 592.
Masonic Benevolent Association, 1874, DECREASED from 5,854 to 5,100.
New England Mutual Aid, 1878, DECREASED 2,108 to 1,910.

OVER FIFTEEN YEARS OLD.

There are four societies fifteen years old and upwards, viz.:

Albany Masonic Relief, 1870, DECREASED from 1,005 to 963.
Mutual Benefit Life Company, 1869, *increased* from 2,784 to 2,811. (Cash assets, $51,450.00; cash liabilities, $49,937.00.)
Northern Tier Masonic, 1872, DECREASED from 461 to 365.
Southern Tier Masonic, 1868, DECREASED from 2,714 to 2,291.

An inspection of the above will enable each reader to judge whether any co-operative insurance association on a business basis is now in a flourishing condition after a test of fifteen or more years.

DAVID PARKS FACKLER,
Consulting Actuary.

20 NASSAU STREET, New York.

Rates of Assessments must Increase with Age.

THE leading Assessment Society of to-day like the former leader the "United Brethren Mutual Aid," used to boast of its "scientific system" under which the death losses would be assessed each year according to a scale increasing with the age of its members.

Now however, *finding that such increasing charges are very unpopular with its members*, who were promised good insurance at impracticable figures, it tries to make out that the interest on its safety fund will be sufficient to offset the otherwise necessary increments to the annual cost.

Very craftily the Association takes as an example the ages 25 and 26, at which the yearly increase is slight, and is offset by assuming 5 per cent. interest to be earned on the safety funds at these ages, and though this is a higher rate than is legal for insurance calculations and also probably higher than is paid by the Trust Company in which their funds are invested, we will grant that for the present their theories may hold good at such young ages.

But let us compare the Association's figures with those for age 50:—at age 26 the net cost of insuring $1,000.00 according to the American Table of Mortality quoted by the Association is only 6½ cents more than at age 25, an increase of only 8-10 of one per cent. on the cost at age 25, viz., $8.06: at age 51 the net cost is 76 cents or over 5 per cent. more than at age 50; that is, the increase is seven times greater in proportion, while the safety fund is no greater in proportion, at age 50, than at age 25.

Take the case of age 70 (for the Association reports members even 75 years old!)— at age 71 the net cost is $5.67 or over 9 per cent. greater than at age 70, that is to say, *the increase is eleven times greater in proportion than at age 25*.

It is therefore clear that if the rate of assessment is to be kept unchanged at all ages, the annual increase in death losses due to the *ageing* of the older members will be saddled upon the younger members.

The way the older members of this Association have thus far been favored at the expense of the younger, is very clearly shown by a table published in the circulars issued up to about April 1887, in which the "minimum" rate of assessment at age 25 is put down as $1.00 but the insured shall be liable to pay during the year $10.76, or the amount of about 10¾ assessments—while at age 60 the "minimum" single assessment is $4.50, but the person will be liable for only $35.60 during the year, or *less than 8 assessments at the above rates, against the younger man's 10¾ assessments;* the age of 50 is similarly favored, the rate being $2.00 at each assessment, but limited to $18.37 in a year, which is not quite 9 1-5 assessments.

These are fair samples of the way scientific principles and justice have alike been disregarded in devising the plans of the Association.

Let not elderly men however, think that they can go into it safely, for the scale of charges may be changed any day and made to apply backwards as shown on page 21, which was practically illustrated by the

issue of new tables in April 1887, under which the maximum charge for age 60 was increased from $35.60 as above to $40.70! Hereafter, when it becomes desirable to freeze out the old men, the officers may increase the maximum charge by another $5.00 or even $10.00; for there is nothing to prevent them, *the contract binding no one but the insured.*

The absolute necessity for increasing the assessment rates yearly is further confirmed by an apt quotation from a letter of the eminent *Independent Actuary*, Mr. David Parks Fackler, published in the *Insurance Times* in 1883:

"If the death funds of a society are to be raised only as the deaths occur, each member should contribute for current claims *just in proportion to the risk of death at his own current age.*

"That any other system would be inequitable—must, it seems to me—be as clear to all persons of average sense, as that two and two will always make four; if any such say they cannot see it, that only shows they do not want to see it. Excuse any apparent curtness, but the matter will not admit of argument."

The same eminent authority, after thirty years' experience, lately wrote on this topic as follows:

"The impracticability of keeping the annual assessment charges down to what they were for the age at entry was well illustrated by the experience of what was *once* the *banner* co-operative society, the United Brethren Mutual Aid of Lebanon, Pa. This society began business in 1870, and by 1877 had attained a membership of 14,000 and about $20,000,000.00 of insurance; it boasted of its 'scientific' system and its 'reserve fund' which would 'ensure perpetuity.' The concern is believed to have been *honestly* managed, but the average annual cost of insurance per $1,000.00, *without counting expenses*, has been as follows:

Beginning with the year	1876,	$12.14	Beginning with the year 1882, $29.20
" " "	1877,	16.70	" " " 1883, 34.70
" " "	1878,	18.90	" " " 1884, 33.87
" " "	1879,	23.20	" " " 1885, 39.20
" " "	1880,	25.20	" " " 1886, 39.94
" " "	1881,	28.20	" " " 1887, 42.40

"Add to this the average expense of over $5.00 per thousand it will be seen that the total average cost was nearly $50.00 per thousand for the year 1887, and is probably all of that for the year 1888. Its membership is now only about half what it was ten years ago, and its entire dissolution seems only a matter of a few years.

"Very fitly did Elizur Wright call such societies 'co-duperatives.'"

We have given already, on page 4, just after a copy of the American Experience Table of Mortality, the unequivocal opinion of the author of the same, Mr. Sheppard Homans, as to the absolute necessity of increasing rates as the ages of members advance. These two gentlemen are acknowledged authorities and leaders in sound insurance mathematics. There are many others engaged as actuaries for individual companies who are competent to judge the mathematical necessity of annually increasing rates in assessment insurance, but we do not know any professional actuary, *who does, would or could say anything to the contrary.*

A "SYSTEM" WITH OVER TEN THOUSAND PER CENT. INJUSTICE.

The American Experience Table shows that a person insuring at age 20, paying $78.04 as his just share for the first year's insurance, if kept at that rate, pays in five years $390.20 only; whereas, on the increasing scale he ought to have paid total $395.34 (see table, page 4). Thus, on the non-increasing system, a member now aged 25 was saved only $5.14 during the last five years, while on the other hand, a member reported December 31, 1887, as aged 75, if charged all the previous five years at the rate of age 70 only, HAS SAVED $606.32 or OVER 11,000 PER CENT. MORE at the expense of the younger and middle aged members.

The Assessment, or one-sided Contract.

The "Application" on which the contract is based **binds the insured to anything the Society may require hereafter**; it contains two lengthy formal statements, called "declarations," of which, we give *fac-similes* below:—

The FIRST DECLARATION is at the foot of the first page of the Application, and reads as follows:

IT IS HEREBY WARRANTED by the applicant, that the answers and statements in this application, Parts 1 and 2, whether written by his own hand or not, are full, complete, and true, and it is agreed that this warranty shall form the basis and shall be a part of the contract between the undersigned and THE ——— LIFE ASSOCIATION, and are offered to said Association, as a consideration of the Contract applied for, and the Constitution or By-Laws of said Association, with the amendments made or that may hereafter be made thereto, together with this Application, are hereby made part of any Certificate that may be issued on this Application. And the applicant further agrees that if any of the statements or answers made herein are not true, full, and complete, or if he or his representatives shall omit or neglect to make any payment as required by the conditions of such Certificate, or by the Constitution or By-Laws of said Association, then the Certificate to be issued hereon, shall be null and void, and the officers of said Association may cancel said Certificate and the same shall be returned to them, and all money paid thereon shall be forfeited to said Association. It is hereby expressly agreed that the person soliciting or taking this application, and also the Medical Examiner shall be and are my Agents and not the Agents of said Association as to all answers and statements in this Application, and inasmuch as only the officers at the Home Office of the Association, in the City of New York, have authority to determine whether or not a Certificate shall issue on any Application, and as they act on the written answers and statements referred to, no answers, statements, or information made or given by or to the person soliciting or taking this application for a Certificate, or by or to the Medical Examiner, or by or to any other person, or to the Association, shall be binding on the Association, or in any manner affect its rights, unless such answers, statements, or information be reduced to writing and contained in this Application, and presented to the officers of the Association at the Home Office, and the applicant hereby expressly waives any and all provisions of law now existing or that may hereafter exist, preventing any physician from disclosing any information acquired in attending the applicant in a professional capacity or otherwise, or rendering him incompetent as a witness in any way whatever, and for himself and for any person accepting or acquiring any interest in such certificate authorizes and requests any such physician to testify concerning the health and physical condition of the applicant. And the applicant further agrees that under no circumstances shall the Certificate hereby applied for be in force until the actual payment to, and acceptance of, the first annual dues by the Association, and actual delivery of the Certificate to the applicant, with a receipt for the payment of the first annual dues, signed by the President, Secretary, or Treasurer of the Association, during the life time and good health of the applicant. And the applicant further agrees that the Association shall not be liable under said Certificate if any of the statements or answers made herein are not true, full and complete, or in the event of any violation by the applicant of any agreement herein, or if he or his representatives shall omit or neglect to make any payment as required by the conditions of such Certificate, nor shall it be liable if death shall be caused by the hands of justice, or in consequence of the violation of any law, but in each and every such case said Certificate shall be null and void, and all payments made thereon forfeited to the Association, and I hereby agree to pay dues annually in advance at the rate of $3.00 per thousand, and all mortuary assessments so long as such Certificate or Policy shall remain in force.

This risk is recommended by me as a good risk, I am a witness to the signatures, which I certify to be genuine, and the answers herein, and all of them are true to the best of my knowledge and information.

Dated at 188

Signature of Applicant for membership in this Association. } .....

Name of the Beneficiary. } .....

As the above type is too small and the lines too close to be legible, we give below in larger type, the important clauses which generally escape attention

"The Constitution and By-laws of said Association, **with the amendments made or that may hereafter be made thereto,** together with this Application, are hereby made part of any Certificate that may be issued on this Application. * * * * If he or his representatives shall omit or neglect to make any payment required by the conditions of such Certificate, or **by the Constitution and By-laws of the Association,** then **the Certificate issued hereon shall be null and void.**" * * * *

"The person soliciting or taking the Application and **also the Medical Examiner shall be and are my Agents,** and not the Agents of said Association **as to all answers and statements in this Application,** * * * * and I hereby agree to pay dues annually in advance, at the rate of $3.00 per thousand, and all mortuary assessments so long as such certificate or policy shall remain in force."

It will be observed that the applicant is made *responsible for the correctness of the Medical Examiner's report;* and also that he cannot throw off responsibility by discontinuing payments simply, for, as certificates that have been five years in force, remain in force six months, and those ten years in force twelve months after discontinuance of payment, he will be liable much longer than he supposes.

The SECOND DECLARATION is in the medical examination where the applicant would least expect it (and probably does not have his attention called to it).

I do hereby warrant, that the foregoing answers, written, to the above questions, are my answers, and are full, complete, correct, and true, and the same shall be made a part of the contract of my Certificate of Membership in the ——— LIFE ASSOCIATION, and that I am the person who signed the application on the reverse side of this Application, and was examined as below; and should this application for membership be accepted, I do thereupon constitute and appoint (the President of the Association), of New York, State of New York, or, in the event of his death, the Executive Committee of said Association, or a majority thereof, my sole, true and lawful Attorney and Agent, for me and in my name, place and stead, to vote as my proxy, according to the number of votes I would be entitled to cast if personally present, at each and every General, Annual, or Special Meeting of the "MUTUAL ——— LIFE ASSOCIATION" of New York, or the Subscribers or Members thereof, for the election of Directors, or for any other election or purpose whatever.

This power of attorney and proxy shall be valid and effectual, and shall continue in full force until at least **thirty days after a notice**, in writing, expressly revoking or suspending the same shall have been delivered to the Secretary of the Association, and a like notice to the Attorney and Proxy hereby appointed. This proxy shall not be operative at any Meeting of the Association at which the undersigned is present in person.

SIGNATURE OF MEDICAL EXAMINER AS WITNESS. } ..... *M.D.*

SIGNATURE OF APPLICANT. } .....

SEAL.

Liability of Certificate-Holders.

THE members of assessment societies generally suppose that they can drop their membership at will by simply neglecting to pay an assessment, but this is a great mistake, as many persons have learned at heavy cost after fighting in the courts, which have decided as follows:—

Membership is not terminable by merely refusing to pay an assessment. The certificate holder must pay all liabilities which accrue up to date of his perfected withdrawal.

A member does not cease to be such until he has made his withdrawal complete according to the terms of his contract; he remains liable for losses which follow.

Each member holding a certificate which was in force at the time of the death of another member is legally bound to pay.

The Association is legally bound to enforce payment.

If the officers of an association do not assess and collect, the court, at additional expense, may do so through its own officers.

An association can refuse to release a member, and can compel him to pay each assessment as it occurs.

Receivers may sue members for back assessments.

Forfeiture of his own rights does not necessarily relieve a member from liability to others.

See "THE LAW OF MEMBERSHIP IN CO-OPERATIVE AND ASSESSMENT LIFE ASSOCIATIONS" published by the *Insurance Monitor* in 1886.

In New York State the most prominent case quoted is that brought against William H. Ross-Lewin by the Receiver of a Society in which the former took two certificates in March, 1881—he paid assessments on June 28 and September 8, 1881, but, when served with notices to pay two assessments dated September 28th, he decided not to pay, supposing that would end his membership; but it did not. The society failed and a receiver was appointed, who sued the defaulting members. In the test case mentioned, the court decided that the members must pay not only the assessments mentioned, but all the liabilities that had accrued until their membership was legally severed. In the banner assessment association, in some instances, it will require a lapse of twelve months to release a member, who will thus remain all that time liable for its losses.

The *Insurance Monitor* makes the following apt remarks:

"Throughout the rural districts thousands of guileless farmers and country merchants have, from time to time, been ensnared into membership with mutual fire associations under pledges whose true legal character was only discovered when adversity called for a final settlement in the courts. Rude as was the awakening in their case, the public shock will be vastly greater as the members of similar life organizations suddenly learn from the tribunals that their pledges are binding while the organization subsists, that the responsible member cannot free himself from liability, but must maintain his payments to the end."

Now, then, to dissipate all idea that *associations* or *societies can release* their members from *any such liability*, we append the following recent correspondence, which will speak for itself:

Office of John J. Habrich,

General Insurance Agency,

[Established 1859.]

PROMPT ATTENTION GIVEN TO INSURANCE CLAIMS OF ALL KINDS.

18 and 20 Liberty Street,
Between Nassau and William.

New York, October 31st, 1888.
P. O. Box 1874.

HON. ROBT. A. MAXWELL,
Supt. Insurance Department,
Albany, New York.

DEAR SIR:

While preparing a treatise in practical illustration of the two principal systems of Life Insurance now prevailing, I came across a certificate of insurance in an assessment association (enclosed herewith), which contains a stipulation (see section XI*), intended to countervail the personal liability of its members on their mutual contracts. I enclose also a publication of the *Insurance Monitor* of this City, in 1886, treating of the Law of Membership in Co-operative and Assessment Life Associations.

That such liability is binding on every member, as against or in favor of each other, has always been affirmatively decided by the Courts, and I would respectfully submit to you the question, whether the incorporating of said section XI, or words to that effect, in a membership certificate can annul or modify the liability of a certificate-holder, thus contravening statutory law; or is it not held by your department that if any assessment society, when going into the hands of a receiver, has, say 200 claims unpaid, the holder of a certificate at the closing of the concern is liable for one assessment on each certificate which has become a claim while he was such member?

With thanks in advance, I am,

Yours very truly,

(Signed) J. J. HABRICH.

*XI. **No personal liability of the member is incurred by becoming a member of this Association,** and the continuance of this Certificate, or Policy of Insurance, and payments by the member are voluntary, at the option of the member, to continue only so long as the member may desire to keep this Certificate, or Policy of Insurance, in force, but a failure to make the payments as herein stipulated will terminate this Contract. This Contract, on the part of the Association, is a bi-monthly term Contract, renewable at the option of the member, before expiration, upon payment of the dues and mortuary premiums at the times and in the manner in this Contract provided.

Enclosures.

WTBR

STATE OF NEW YORK.
Insurance Department.
Albany, November 2nd 1888.

Mr. J. J. Habrich,
General Insurance Agency,
18 & 20 Liberty Street, N. Y. City.

Dear Sir:-

Your letter of the 31st, ulto., enclosing specimen copy of certificate of membership in an Assessment Insurance Association and Insurance Monitor pamphlet, at hand.

Notwithstanding the provisions in Section XI, marked, this Department considers the principles laid down by the Supreme Court in the case of Mc Donald, Receiver of Mutual Benefit Association vs Ross-Lewin, 29 Hun 87, same case in New York Ins. Report 1884, p. 359, as sound , and that an association cannot exempt a member from the legal liability attaching from the fact of membership, as decided in that case.

I return herewith the enclosures referred to.

Yours respectfully,

R. A. Maxwell

Superintendent.

From "The Independent."

WE cannot refrain from quoting a few passages on Assessment Insurance in general and referring to their banner association in particular, published November 22, 1888, in New York *Independent*, a journal which, in its ably written articles, has fearlessly and forcibly uttered notes of warning against the Assessment craze prevailing among us.

The *Independent* deserves great praise for its earnest and persistent efforts to protect the public. Insinuations that it is "prejudiced" are no answers to its forcible arguments.

What more holy duty has the press than to expose delusive schemes which endanger the interests of millions of wives and children, and are sure to inflict disaster in the "nearest" future.

"There is no prospect that the ——— ——— ——— will outlive the majority of persons to whom it has already granted certificates. The indications all point to its early decease; and one of the indications is its readiness to go into the Board of Trade Building Association scheme. It seems to be grasping at any and every straw to secure 'new blood,' hoping thereby to prolong its life and postpone the evil day which is so surely coming. Its statements cannot be relied upon.

"The circular referred to states that the ——— ——— has a cash surplus emergency fund of $1.750.000.00. In reply to this it is only necessary to call attention to the fact that on December 31, 1887, the date of the last report to the State Department, its total cash invested assets amounted to $1,472,200,49, and from this should be deducted the amount of its liabilities for unpaid 'claims on death losses' which amounted to $439,694.00, thus leaving the cash assets only $1,032,506.49. *It owed on the 31st of December, 1887, for death losses, one-third as much as it paid for similar claims during the entire year.* It has a chronic tendency to defer payments on claims, to compromise claims, and to refuse payments altogether. It has become known as the 'Great Repudiator.' During the year 1887 certificate-holders having so-called insurance to the amount of $28,944,250.00, allowed their certificates to lapse. This gives a little inkling of the feeling which has been aroused among the certificate-holders of the Association in regard to their liability and responsibility. The insurance in the ——— ——— ——— Life Association will no doubt be valueless. Associations similar in many respects to the ——— ——— ——— Life Association are failing by the score. Since January 1, 1883, no less than 108 of the assessment associations which then reported to the Insurance Department of the State of New York have ceased to do business—they have failed. In the five years previous to January 1, 1888, we have a record of nearly 750 of similar associations as having failed throughout the country. Since January 1, 1888, large numbers of these associations—some of them very prominent ones—have failed. All of them must fail, including the ——— Life Association. As we have repeatedly shown in these columns, no association conducted upon the same plan and the same principle as the ——— Life Association, can succeed. They must fail. There is no hope for them. Any man who knows anything about insurance by simply taking the seven years' record of the ——— Life Association and following it down from year to year, noting their large increase in assessments and their large increase in death rate can read the handwriting on the wall as plainly as we can. We say once more 'do not go into this ——— Life Association scheme expecting to get reliable Life Insurance.'"

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